



**STATEMENT BY BART RUTH
PAST PRESIDENT, AMERICAN SOYBEAN ASSOCIATION**

before the

**COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES**

on

STATUS OF AGRICULTURAL TRADE NEGOTIATIONS

May 19, 2004

Good morning, Mr. Chairman, and Members of the Committee. I am Bart Ruth, a soybean and corn farmer from Rising City, Nebraska. I am a Past President of the American Soybean Association, which represents 25,000 producer members on national issues of importance to all U.S. soybean farmers. ASA appreciates the opportunity to appear before you today.

We commend you, Mr. Chairman, for holding this hearing to review the broad agenda of issues involved in agricultural trade. These issues have changed considerably over the past decade, as have our strategies for addressing them. I would like to first present a brief overview of the current situation, and then comment on soybean priorities in the WTO and Free Trade Agreement negotiations and several other important trade issues.

Overview and Background

Since the 1970's, the U.S. has exported one-half of each year's soybean crop, either as whole soybeans, as soybean meal and oil, or in the form of livestock products. Soybean and soy product exports alone are currently valued at between \$8 to \$10 billion, making our industry the largest positive contributor to the national trade balance.

World demand for soy-related exports, particularly high protein soybean meal and livestock products, is growing rapidly. Expansion of developing economies has been accompanied by rising demand for and ability to afford a more nutritious diet. With 96 percent of the world's population living outside our borders and most of its growth in countries with low per capita consumption of soy products, our foreign market will only continue to expand.

U.S. farmers need to compete for these expanding markets. To do so, we need to bring down tariffs on soy-related products in importing countries, and prevent their replacement with non-

tariff barriers. We must require both developing as well as developed country competitors to comply with the same disciplines on production and trade-distorting farm support programs that we must meet. And we must eliminate the distorting effects of our own domestic farm policies in discouraging soybean plantings when market signals indicate otherwise.

Each of these goals will be addressed during negotiations the agriculture community faces over the next three to four years. Current talks to reach agreement on a framework for agriculture as part of the Doha Development Agenda will reach a critical point at the mini-Ministerial in late June. Even if a framework is reached, actual commitments will need to be negotiated, and the time frame for completion will be uncertain. The Doha talks will also impact debate on the next farm bill, which will begin in 2006. And clouding the outcome of both of these negotiations will be the status of the recent WTO panel decision on the U.S. cotton program, the likelihood of an appeal, and the possible filing of similar cases.

Status of the Doha WTO Negotiations

Against this background, let me now comment on ASA's position on the Doha WTO trade negotiations. We were an early and strong supporter of proposals by both the last and the current Administration to require countries to improve market access by bringing higher tariffs down faster than lower tariffs using the so-called Swiss formula approach. We have supported making significant reductions in trade-distorting domestic support, provided that countries with comparatively higher levels of support – particularly the European Union – make proportionately greater reductions, and that developing country exporters are subjected to similar disciplines. And we have agreed to discipline our export credit program, provided all export subsidies and similar credit programs are treated in the same manner.

As efforts accelerate to reach a framework agreement on modalities by July, it is unclear whether these goals will be achieved. The market access proposal advanced by the U.S. and the EU last August, which was incorporated in the Derbez text, would blend the Swiss approach we favor with across-the-board tariff cuts for an unspecified number of products, and would also reduce tariffs on other products to zero. Until we know how many products countries would be able to protect by making simple percentage reductions in bound tariff levels, we won't know how effective this blended approach will be in expanding market access.

We are concerned that, if countries are able to protect all or most of their sensitive import commodities from meaningful tariff cuts, we won't see the expansion of markets for soybeans, soybean meal, and livestock products needed to justify accepting substantial reductions in domestic support and changes in our export credit program that will dramatically decrease its effectiveness. A formula must be found that will ensure a significant increase in market access for U.S. soy and livestock products, as well as other key U.S. agricultural commodities. If a blended approach is maintained, we believe increased market access will need to be assured through expanding tariff rate quotas (TRQs) that are tied to some percentage of domestic consumption.

Moreover, various texts put forward by the WTO agriculture negotiating committee would continue to allow developing countries to exempt import-sensitive Special Products from any

tariff reduction, and to invoke Special Safeguards to restrict imports, regardless of whether there is evidence of injury to domestic producers. These proposals remain undefined, and could negate efforts to improve market access in developing countries with more advanced economies. Simply put, developing countries represent the largest growth markets of the future for U.S. agriculture and largely exempting these countries from market-opening efforts would result in a Doha Round that provides limited market access gains.

Finally, while we understand and support proposals to exempt the least developed countries identified by the OECD from opening their agricultural economies to outside market forces, concessional market access terms should not be offered to more advanced developing countries, particularly those that are significant agricultural exporters. In addition, the recent proposal by the EU to provide a “free Round” to all ACP and African countries, would allow countries like South Africa, Egypt, Morocco and Kenya to avoid market-opening measures. We oppose such a broad definition for market access exemptions.

On domestic support, the extent to which reductions in trade-distorting Amber Box programs will be required also remains undefined, and there is no evidence the EU has agreed to make a proportionately greater reduction in these programs than the U.S. We are concerned by the provision in the Derbez text that would disaggregate Amber Box support in favor of commodity-specific support. While we understand the interest of some countries to ensure that support for certain commodities is capped or reduced, we want to be sure that soybeans are not disadvantaged in the selection of a common base period for all commodities.

It is also unclear whether other countries will accept the U.S.-EU proposal to redefine the Blue Box to include our counter-cyclical income support program, or to exempt “de minimis” non-product specific support from discipline. In this regard, the EU’s recent proposal to eliminate the “de minimis” provision is not acceptable to ASA.

Of particular concern to ASA is the failure of the various negotiating texts to distinguish between least developed and advanced developing countries by allowing self-designated developing countries to exempt themselves from disciplines required of developed countries. Clearly, the least developed countries, as defined by the OECD, have Equally clearly, countries that are world-class producers and exporters of soybeans and other commodities – like Brazil – should not be allowed to exempt themselves from meaningful market access commitments or have the unlimited ability to implement trade-distorting domestic support and export policies. These advanced developing countries that are world-class exporters should be required to implement similar or identical commitments to those undertaken by developed countries.

ASA has been working to identify programs provided by the Brazilian federal and state governments that subsidize increased production and exports of soybeans and soy-related products. At the request of interested Members of Congress, the Foreign Agricultural Service has found a number of credit programs with heavily subsidized interest rates that are financing farm operations and purchases of land, equipment, and fertilizer. FAS has also identified a tax levied on idle land which encourages landowners to bring more acreage into crop production. We are continuing our efforts to define and quantify the impact of these and other subsidies on Brazil’s agricultural production and exports.

ASA and other farm organizations have asked U.S. negotiators to include provisions for differentiating between developing countries that are major, world-class agricultural exporters and those that are not. We strongly believe that Brazil and similar countries must be subject to the same disciplines that we must face and, if appropriate, make the same reductions in production and trade-distorting programs that we must make. They must not be given unbridled ability to implement highly trade-distorting domestic support and export policies, as has been proposed under both the Harbinson and Derbez texts. As a producer, I can tell you that soybean farmers will not be able to support a new WTO agreement if our major competitors in developing countries remain exempt from disciplines on domestic programs that subsidize production and exports.

Let me now comment briefly on export competition issues in the WTO negotiations. ASA was pleased by the EU's recent decision to agree to a date certain for eliminating export subsidies. We are working closely with U.S. negotiators to ensure that the export subsidy component of our GSM credit guarantee program is reduced in a parallel manner with export subsidies. We do not believe that reform in our CCC credit programs should go beyond eliminating the interest rate subsidy.

We continue to be concerned by efforts to eliminate non-emergency foreign food assistance provided under P.L. 480 Title 1 and other food aid programs. Assistance in the form of food is essential to help developing countries alleviate poverty, combat diseases such as HIV/AIDS, and develop economically. U.S. food aid programs are already complex enough, and channeling each food aid project decision through a third party (such as the U.N.) or decreasing the ability of the private voluntary organizations (PVOs) to provide non-emergency food aid will only hurt those we attempt to help. We recommend that any disciplines on food aid be considered separately from reforms in export-related programs, and urge that experts in this area, including from the WFP and the PVO community, be included in future negotiations.

The Blair House Agreement

Finally, Mr. Chairman, ASA continues to be concerned by indications that the European Union intends to ignore its requirements under the Blair House Agreement, reached as part of the Uruguay Round Agreement. Under Blair House, the EU agreed to restrict subsidized oilseed area, and to limit production of oilseeds for industrial purposes on so-called set-aside land. After several reforms of the Common Agricultural Policy, the EU now maintains that its oilseed supports are either not crop-specific or that support has been decoupled and, as a result, the Blair House acreage restrictions no longer apply. At the same time, they have initiated a "carbon credit" program to subsidize production of energy crops, including rapeseed for biodiesel. ASA and other U.S. oilseed organizations believe the EU must be reminded of its Blair House obligations, which have been bound in the EU's WTO commitments. The United States must be prepared to aggressively challenge the EU if it breaches its obligations.

FTAs and Regional Trade Agreements

Regarding Free Trade Agreements, we support passage of the Central America Free Trade Agreement (CAFTA), Dominican Republic, and Morocco FTAs. We are also supportive of the Australia FTA provided that the pork phytosanitary issues are resolved. We are anxious to see the conclusion of the Southern African Customs Union (SACU) FTA, in which we hope our soy protein feeding program will be used as a model for supplementary feeding of people receiving anti-retroviral drugs to combat HIV/AIDS, as well as supplementing local diets to fight malnutrition and low productivity.

We welcome the start of the Andean FTA negotiations. Andean countries have preferential pricing and tariff systems which allow our competitors from South America to export soybeans, soybean meal, and other soy products at duties much lower than apply to U.S. exports, even though we are closer geographically and can provide higher quality products. We hope negotiations with the Andean countries will result in elimination of price band systems and reductions in tariffs to allow U.S. soybean farmers compete fairly in these potentially large markets. Colombia, for example, could become a larger export market than the Dominican Republic, which is the fifth largest customer for U.S. soybean meal.

EU Biotech Regulation

Finally, Mr. Chairman, I would like to comment about our ongoing effort – together with the rest of the U.S. agricultural community – to confront the growing challenge to our farm exports by non-science-based claims regarding food and environmental safety. This challenge is focused on decisions by the European Union that restrict the availability and competitiveness of food products derived from U.S. biotech commodities by imposing stigmatizing labeling and onerous traceability requirements. Unless the U.S. and other biotech producing and exporting countries challenge the EU's T&L regulation, we will continue to lose foreign markets, not only in Europe but in other countries that choose to or are pressured to follow the EU's example.

Following formal adoption of the T&L regulation by the EU, ASA and 21 other major national trade associations sent a letter to Ambassador Zoellick and Secretary Veneman expressing these concerns and requesting initiation of a dispute settlement proceeding under the WTO. We have been working to develop private sector support for the legal work required to mount a WTO case. We ask the Committee to join our effort to confront these policies, which set a very negative precedent for stigmatizing and restricting without a scientific basis the trade in products that have passed rigorous safety reviews.

Conclusion

That concludes my comments, Mr. Chairman. I would be pleased to respond to questions you or other Members of the Committee may have.

**Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form**

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2002.

Name: Bart Ruth
Address: 121 29th Road, Rising City, Nebraska 68658
Telephone: (402) 542-2181

Organization you represent (if any): American Soybean Association

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2002, as well as the source and the amount of each grant or contract. House Rules do **NOT** require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: N/A Amount: _____

Source: N/A Amount: _____

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2002, as well as the source and the amount of each grant or contract:

Source: Foreign Market Development (FMD) Amount: \$17.1 million

Source: Market Access Program (MAP) Amount: \$7.2 million

Please check here if this form is NOT applicable to you: _____

Signature: Bart D Ruth

* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.

American Soybean Association



Bart Ruth, a producer from Rising City, Nebraska, is Past President of the American Soybean Association (ASA). He serves as Chairman of the ASA's Strategic Planning Committee and is member of the Public Affairs Committee. He was President for 2001-2002 and First Vice President for the 2000-2001 term, when he also Chaired the Public Affairs Committee. Ruth was Chairman of the ASA Latin America Subcommittee for the 1999-2000 term and has served on the ASA Board of Directors and the ASA Public Affairs Committee since 1997.

Ruth served on the Nebraska Soybean Association Board of Directors from 1987-1999 and completed terms as Chairman, President, First Vice President, Vice President and Assistant Treasurer.

He has served on the Nebraska Foundation for Agricultural Awareness Board of Directors and Farmers Cooperative Business Association Board of Directors.

Ruth and his family operate a 1,550 acre grain farm, producing 750 acres of soybeans and 800 acres of corn.

The American Soybean Association is a national, not-for-profit, grassroots membership organization that develops and implements policies to increase the profitability of its members and the entire soybean industry.

With a crop value of over \$18 billion annually, the United States is the world leader in soybean production, representing nearly 50 percent of the world soybean crop. More than half of the U.S. soybean crop is exported each year.

The American Soybean Association was founded in 1920.